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SUBJECT: U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION  
ENCOUNTERS DIVERGING TAIWAN VIEWS ON CROSS-STRAIT SECURITY

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¶1. (SBU) Summary: Vice Premier Chiou I-jen told the U.S.-China Economic and Security Review Commission delegation that the cross-strait military balance is increasingly favoring China. President Chen understands that U.S.-Taiwan military cooperation is essential to Taiwan's defense, Chiou added, and is working to increase military spending to 3 percent of GDP. Taiwan cannot stop its manufacturers from moving to China, Chiou stated. Instead, Taiwan must preserve and increase its advantage in tech- and service-intensive industries. President Chen will spend the last months of his presidency promoting "democratization" and "Taiwan identity." Chiou predicted that hosting the Olympics will "seriously challenge" Beijing's ability to control domestic dissent. National Security Council Secretary-General Mark Chen complained that China continues to obstruct Taiwan participation in international organizations, and wondered "how long" Taiwan could withstand a PRC attack.

¶2. (SBU) DPP advisers to presidential candidate Frank Hsieh predicted a DPP victory if voter turnout next March is high, and asserted that KMT candidate Ma Ying-jeou is too "pro-China" for most Taiwan voters' liking. Ma told the delegation that as president, he would resume dialogue with China to seek a peace agreement, expanded economic and cultural links, and an accord on Taiwan's international "living space." Ma stated he would not sacrifice U.S.-Taiwan military cooperation to appease PRC demands. Mainland Affairs Council Chairman Chen Ming-tong dismissed Ma Ying-jeou's proposed peace agreement as a "campaign stratagem" that Beijing will not take seriously. Vice Foreign Minister Katherine Chang emphasized the importance of close ties between the U.S., Taiwan, and Japan. Defense Minister Lee Tian-yu stated Taiwan is committed to maintaining its self-defense capability. The delegation also was briefed on Taiwan's defense communications capabilities. Taiwan's counterterrorism coordinator told the delegation that Taiwan does not perceive a significant domestic terrorist threat. End summary.

Vice Premier Chiou on PRC Military Build-Up, Taiwan Identity

¶3. (SBU) Vice Premier Chiou I-jen covered a broad range of

topics in his very congenial meeting with the U.S.-China Economic and Security Review Commission (USCC) delegation. Pointing to the growing PRC military build-up, he said the trend was obviously getting worse. President Chen, he said, fully understands the challenge and is working to increase the defense budget to 3 percent of GDP. Chiou stressed the importance of U.S.-Taiwan military-to-military cooperation and said that bilateral cooperation had greatly increased and Taiwan was learning from the U.S. side in doctrine and military reforms. In response to a question from Vice Chairman Blumenthal about whether Taiwan people trust the U.S., the Vice Premier replied that in some ways people "trust the U.S. too much." He said that the U.S. was the one country that had helped Taiwan develop its democracy, economy and security. Taiwan counts too much on U.S. help, he said, and noted that there had been a tremendous impact in Taiwan when President Bush "criticized President Chen a little" at the end of 2003.

¶4. (SBU) Vice Chairman Blumenthal asked Chiou what President Chen's legacy would be, and what his priorities were in the last seven months of his administration. Chiou said Chen had promoted democratization and strengthened the public's sense of Taiwan identity. Defining democratization rather broadly, Chiou claimed that free speech in Taiwan was "freer" than in the U.S., thanks to legal protections put in place during Chen's administration. He also claimed that Chen would leave behind a neutral military, wholly disconnected from any political party.

¶5. (SBU) Chiou told the delegation that the rising sense of "Taiwanese identity" is one of President Chen's lasting contributions to Taiwan society. According to Chiou, in 2000

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only 20 percent of those polled identified themselves as "Taiwanese," whereas in recent polls, Chiou continued, more than 60 percent identify themselves as "Taiwanese," thanks to Chen administration initiatives. Chiou expressed the hope that this number will continue to increase, and that someday soon 70-80 percent of the public will call themselves "Taiwanese." Chiou acknowledged that the "identity" issue has become more complicated. In the past, if someone considered himself to be "Taiwanese," he was almost certainly a supporter of Taiwan independence. This is no longer the case, Chiou continued, as identity and independence have become de-linked. Chiou worries that older DPP leaders fail to see this trend, and that Chinese and U.S. experts don't see it either. On the other hand, Chiou continued, because ethnicity (Mainland-born vs. Taiwan-born) and identity (Chinese vs. Taiwanese) are no longer tied so closely together, Taiwan's increasing number of immigrants will not necessarily deter a rising sense of Taiwan identity, though some may have trouble assimilating.

#### Olympics Will Challenge China's Stability

¶6. (SBU) Chiou predicted that hosting the Olympics will "seriously challenge" China's ability to maintain control. Dissidents, foreign pressure groups, Tibetan separatists, and the Falun Gong, among others, will press Beijing for concessions. If Beijing cracks down before or during the games, Chiou continued, international criticism will be intense. But, if CCP leaders give in to domestic demands, it will be difficult to change direction once the games are over. Chiou noted that the number of protests in China has increased in recent years. Some of the protests have been large and violent, but because they had no centralized leadership, none of them has posed a serious threat to CCP control. If Beijing loosens its grip in advance of the games, however, it could provide an opportunity for dissident groups to increase both their organization and effectiveness.

#### NSC's Mark Chen on UN Referendum, China Threat

¶7. (SBU) National Security Council (NSC) Secretary-General

Mark Chen told the delegation that Taiwan's UN bid had served to catapult Taiwan into the international media after years of being ignored. The ruling DPP's proposed referendum to join the UN under the name "Taiwan," he explained, was in response to Taiwan public opinion polls consistently showing 72-77 percent of Taiwan people support joining the UN as Taiwan. Even the opposition KMT, he noted, had "surprisingly enough" followed the ruling party's lead and proposed its own UN referendum in order to attract votes in upcoming legislative and presidential elections. Chen then launched into a long complaint over China's efforts to isolate Taiwan by preventing its participation in international organizations and over China's military build-up, notably its increase over the past seven years from some 200 missiles to around 1,000 missiles aimed at Taiwan. In response to a query from the delegation, Chen stated the cross-Strait military balance has shifted in favor of China, but he "honestly did not know how long Taiwan could hold out" in the face of a PRC military assault on Taiwan. Finally, Chen told the USCC delegation that China's rise "is not peaceful" and that "Taiwan is Taiwan, China is China, and will never succumb to PRC pressure to unify with China."

DPP: KMT Hobbled by "Pro-China Stance

18. (SBU) The USCC delegation met with DPP presidential candidate Frank Hsieh's Policy Director Kenneth S. Lin and International Affairs Director Bikhim Hsiao on August 22 to discuss election strategy and campaign platforms. Lin told the delegation that the DPP is confident that if there is a high voter turnout Hsieh will be able to defeat KMT candidate Ma Ying-jeou. The Hsieh campaign will push institutional reforms, social welfare, and Taiwan identity issues as major election themes. Lin said the 2008 race would in essence be a choice between a pro-Taiwan DPP candidate and a pro-China KMT candidate. Although either candidate as president would face the same constraints in dealing with China, Lin suggested that the KMT's "pro-China" leanings undermine Ma's electoral chances because voters do not trust him and suspect

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he would be too accommodating to the PRC and "cave under pressure."

19. (U) Bikhim Hsiao argued that in terms of foreign policy the KMT is "moving closer" to positions advocated by the DPP because of the election. For example, she said the KMT has shifted away from its traditional "one China" policy and is supporting Taiwan's UN bid and the signing of free trade agreements with other countries. Nevertheless, Hsiao suggested that the KMT was moving away from supporting a "natural" Taiwan-U.S. relationship by questioning the need for purchasing advanced weapons systems from the U.S. and arguing that if a better relationship is forged with China then Taiwan would not have to spend so much on its defense. Hsiao suggested that China's interference in the upcoming elections could be significant because most media outlets on Taiwan are very critical of the DPP administration, have financial problems, and are suspected of receiving funding from Beijing. China also has the ability to pressure Taiwan businessmen invested in the mainland to withhold public and financial support for the DPP, Hsiao added.

KMT'S Ma Ying-jeou: Beijing Will Act Reasonably

10. (SBU) KMT presidential candidate Ma Ying-jeou told the USCC delegation that, if elected, he will resume dialogue with the PRC under the "One China, Different Interpretations" framework, in order to secure a long-term peace agreement, to expand cross-Strait economic and cultural links, and to preserve Taiwan's "international living space." Under his leadership, Ma continued, Taiwan will not pursue de jure independence; therefore, Taiwan will no longer be a "flash point" for conflict between the U.S. and China. Ma explained that a peace agreement would be conditioned on Beijing's removal of all missiles aimed at Taiwan. A commissioner

asked Ma whether he would be willing to decrease U.S.-Taiwan defense cooperation if the PRC demanded it in exchange for removing the missiles, or other concessions. Peace discussions with China would not be allowed to adversely affect U.S.-Taiwan defense cooperation. Taiwan must maintain a credible deterrent to PRC aggression, he added, which it cannot do without close U.S. support. How likely is it, one of the Commissioners asked, that China might stir up nationalist sentiment against Taiwan in order to distract attention from a domestic political crisis? Ma replied that, as long as Taiwan is not pursuing de jure independence, Beijing would not be able to use Taiwan for that purpose. China wants peace across the Strait, he continued, because it wants peace with the U.S. Peace in the region will enable Beijing to concentrate on resolving its domestic economic and political crises.

#### Mainland Affairs Council: KMT Peace Treaty a Non-Starter

¶11. (SBU) In response to Commissioners' questions about Ma's proposal for a peace treaty with China, MAC Chairman Chen Ming-tong dismissed the concept as a campaign stratagem that would not be taken seriously by Beijing. Chen added that the relationship between China, Taiwan and the U.S. is really a matter of global political balance, and not simply about the relationship across the Strait. Responding to Commission Chairman Bartholomew's question about the legacy of Chen Shui-bian's presidency, Chen stated that re-unification with the mainland was no longer the only political option for Taiwan. Regarding the 2008 presidential election, Chen said that if Ma Ying-jeou is elected, Beijing will pressure him to accept the "1992 Consensus" ("One China, Different Interpretations"). In Chen's view, Beijing interprets the 1992 Consensus to mean both sides can agree to disagree about the future resolution of the relationship between Taiwan and China, while China continues to push for acceptance of the one China principle. Chen said he believes Hu Jintao has consolidated his power in Beijing, but still must manage the hawkish elements within the CCP leadership who might push to resolve the cross-Strait question by force.

#### Vice Foreign Minister Chang: China Won't Ease Pressure

¶12. (SBU) VFM Chang emphasized to the US-China Commission delegation that China continues to try to squeeze Taiwan's

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international "space" and to block Taiwan's participation in international organizations, such as the World Health Organization. In response, Vice Chairman Blumenthal inquired about Taiwan's preparations to deal with a major health crisis, such as avian influenza or SARS. VFM Chang explained that Taiwan maintains working-level contacts with disease control agencies in other countries in the region, but because of China's objection is denied access to WHO technical meetings. Regarding Taiwan's security, Commissioner Feidler inquired whether China's anti-satellite missile test affects Taiwan. Chang urged the USG to play close attention to the threat of potential disruption of communication channels between the US and Taiwan. She also emphasized the close ties between Taiwan and Japan, as well as Taiwan's active cultivation of relationships with its Central American allies.

#### Minister of National Defense: Taiwan Only Seeking Space to Survive

¶13. (SBU) Minister of Defense Lee Tian-yu highlighted the transparency of Taiwan in dealing with the US on defense matters, and said he hoped the US can separate politics from military issues in the US-Taiwan defense dialogue. Lee emphasized that the threat from China lies not only in its military expansion but also in its economic growth. Whereas China has a strategic plan for the Asia Pacific region, Taiwan is only seeking space for survival. He noted that in previous war games scenarios, Taiwan estimated it could cause

attrition of 18 percent of China's military forces. Lee expressed his concern that China not underestimate Taiwan's resolve, as any military conflict would be costly to China in terms of number of casualties. He noted that China's opening to the rest of the world is considered by some conservative members of the Chinese leadership to create unwelcome popular demand for political change. Lee encouraged the US to allow more students and visitors from China to travel to the US to see for themselves what a democratic society is like and thus increase the demand for political reform in China.

¶14. (SBU) The delegation visited the Joint Operations Command Center (JOCC) and were briefed by JOCC commander MG Chao and saw a demonstration of the Po Sheng command and control system purchased from the US. The delegation also toured the operations and intelligence staff sections of the JOCC. The Commissioners asked about the interoperability of US and Taiwan forces in the event the US should take military action in defense of Taiwan, and were told that due to equipment non-compatibility and lack of US cryptologic material, US and Taiwan forces do not have interoperability. This is a matter of US policy and not lack of desire by the Taiwan military to obtain the necessary equipment.

Counter-Terrorism Director Kuo: No Significant Terrorist Threat

¶15. (SBU) The Chief Coordinator of the Counterterrorism Office within the Executive Yuan, Dr. Kuo Lin-wu told the delegation that Taiwan does not perceive a significant terrorist threat domestically, although its ability to share intelligence is limited. Taiwan's ability to respond to a terrorist attack is untested, as it has never experienced a real attack, but the primary concerns are about possible attacks by China on infrastructure and computer and information systems. Taiwan's focus has been on detection of materials that could be used in a terrorist attack, and has cooperated closely with the US and Japan on this as well as on export control systems. Money laundering continues to be an issue Taiwan is working to address. Unlike the US approach to homeland security, Taiwan is not consolidating agencies, but focusing on enhancing coordination between agencies. Dr. Kuo stated that Taiwan needs assistance in information capacity building.

¶16. (U) This cable was cleared by USCC Chairman Bartholomew. WANG